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E.O. 12958: DECL: 08/21/2034
TAGS: [MTCRE](#) [PARM](#) [PREL](#) [MNUC](#) [ETTC](#) [KSCA](#) [GM](#) [IR](#) [SZ](#)
SUBJECT: ADDITIONAL INFORMATION ON IRANIAN EFFORTS TO
PROCURE SWISS-ORIGIN DIGITAL MAGNETIC COMPASSES FROM
GERMAN FIRM (S)

REF: A. STATE 50119
[1](#)B. PETERSEN-HERRMANN E-MAIL - JULY 8 2009

Classified By: ISN/MTR ACTING DIRECTOR RALPH PALMIERO, REASON:
1.4 (C).

[1](#)1. (U) This is an action request. Embassy Berlin, please see
paragraph 3.

[1](#)2. (S) Background and objectives: In May 2009, the United
States shared with Germany information that Iran's Shiraz
Electronics Industries (SEI) and subsidiaries were engaged in
efforts to procure Swiss-origin digital magnetic compasses
from the German firm Holm GmbH (Ref A). SEI is affiliated
with Iran's Ministry of Defense and Armed Forces Logistics
(MODAFL), the entity responsible for Iranian arms procurement
and production. We now want to provide German officials
additional information related to Holm GmbH's dealings with
SEI and its affiliates - including the possible use of an
intermediary in Hong Kong in order to avoid Germany's export
controls - and encourage them to take measures to prevent Holm
GmbH from acting as a source of supply to end-users of concern
in Iran. (Note: Several weeks after delivery of Ref A
demarche, German officials indicated that they had located
four different entities with the name "Holm GmbH," and
requested additional specifics - such as an address - on the
firm (Ref B). The below non-paper includes the firm's full
name (Holm Maschinen-Exporthandelgesellschaft mbH) as well as
its address. End note.)

[1](#)3. (S) Action Request: Request Embassy Berlin approach
appropriate host government officials to deliver talking
points/non-paper in paragraph 4 below and report response.
Talking points also may be provided as a non-paper.

[1](#)4. (S) Begin talking points/non-paper:

(SECRET//REL GERMANY)

--We would like to raise with you a matter of proliferation
concern and request your government's assistance in
investigating this activity.

--In May 2009, we shared with your government information
indicating that as of mid-March 2009, Iran's Shiraz
Electronics Industries (SEI) was seeking several Swiss-origin
Vectronix DMC-SX 5000 digital magnetic compasses from the
German firm Holm GmbH.

--We noted that SEI is affiliated with Iran's Ministry of
Defense and Armed Forces Logistics (MODAFL), the entity
responsible for Iranian arms procurement and production

--We also informed you that Holm GmbH representatives
requested an end-use statement before agreeing to provide a
price quotation.

--You will recall that we recommended that any end-use

statement provided by SEI or other MODAFL affiliates be viewed with extreme skepticism, and encouraged you to take measures to prevent the sale by German firms of high-tech equipment to MODAFL and subordinate entities.

--In response, Germany located four different entities with the name "Holm GmbH" and requested additional information on the firm.

--We now would like to share the following information with you regarding the activities of Holm.

--The full name of Holm GmbH is Holm Maschinen Exporthandelgesellschaft mbH. Holm has a business office at Rugenberger Str 28, 25474 Ellerbek, Germany. Telephone: 49 4101-3826-0, 49-4101-382626; email: info@holmtool.de.

--We understand that a representative of Iran's Electro-Optics and Laser Industry (EOI), which is a subsidiary of SEI, was responsible for requesting the March 2009 price quotation that we previously brought to your attention.

--We also understand that in early July 2009, Holm GmbH's managing director, Franz-Theodore Schadendorf, offered EOI five digital magnetic compasses and that Holm GmbH also sold a quantity of tritium beta lights to EOI early in 2009.

--At EOI's request, these tritium beta lights were probably routed to EOI via Tokyo Instruments (Hong Kong) Ltd. (located at Unit 9A, 9/F Tower 3, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong, China).

--We therefore believe that Holm could also route the consignment of digital magnetic compasses to Iran via Tokyo Instruments (Hong Kong) Ltd.

--As you are aware, proliferators sometimes use multiple intermediaries and transshipment points in order to circumvent export restrictions.

--Finally, in June 2009, Holm offered an OptiCentric MOT test station to the Mechanics Industry - another subsidiary of SEI. This test station is manufactured by the German firm TRIOPTICS GmbH.

--We hope you will investigate this activity and take measures to ensure that Holm is not acting as a source of supply to end-users of concern in Iran.

--We appreciate Germany's cooperation on nonproliferation matters and look forward to hearing of any actions your government takes in response to this information.

End talking points/non-paper

15. (U) Washington POC is ISN/MTR John Paul Herrmann (Phone: 202-647-1430). Please slug any reporting on this issue for ISN/MTR and EUR/CE.

16. (U) A word version of this document will be posted at www.state.gov/demarche.
CLINTON